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Government Programmes for MSMEs in India: A Review of Their Role in Economic Development

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Abstract: Micro, Small and Medium Enterprises (MSMEs) play an important role in India's economic development by contributing to employment generation, manufacturing output, exports, entrepreneurship and regional development. The present paper reviews selected government programmes introduced to support the MSME sector and examines their relevance in addressing the major challenges faced by MSMEs in India. The study is based on secondary information drawn from government sources, scheme documents and published material related to MSME development.
The paper focuses on major government initiatives such as Zero Defect Zero Effect certification, PM Vishwakarma Yojana, Credit Guarantee Scheme for Micro and Small Enterprises, Credit Linked Capital Subsidy and Technology Upgradation Scheme, Pradhan Mantri Mudra Yojana, Samarth Udyog Bharat 4.0 and Design Clinic for MSMEs. These schemes broadly aim to improve credit access, technology adoption, skill development, quality standards, market access and entrepreneurial capacity among MSMEs. The review also highlights key problems faced by the sector, including limited access to finance, regulatory burden, infrastructure gaps, low productivity, lack of innovation, shortage of skilled labour and weak awareness of government schemes.
The study finds that government programmes provide an important support framework for MSMEs, but their effectiveness depends on awareness, accessibility, timely credit delivery, simplified procedures and better implementation at the local level. Strengthening scheme delivery, improving digital and financial literacy, promoting technology upgradation and creating stronger market linkages can help MSMEs contribute more effectively to inclusive and sustainable economic development in India.
Keywords: MSME, Economy, Enterprises, Entrepreneurs, Manufacturing Environment Etc.

Introduction: In India, MSMEs sustain 16 crore jobs, contribute around 8% of the nation's GDP, 45% of manufacturing output, and 30% of all workforce. Today, they call it the "Backbone of the country." The Government of India has established MSMES, or Micro, Small, and Medium Enterprises, in compliance with the Micro, Small, and Medium Enterprises Development (MSMESD) Act of 2006. These tasks mostly included creating, assembling, managing, and safeguarding products. The Indian economy depends heavily on MSMEs, which have also had a significant impact on recent financial

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developments in the nation. It develops economic opportunities and collaborates with the country's rural and impoverished areas to improve them. The benefits of credit offices can be extended to small and medium-sized enterprises (MSMEs). A table that reclassifies "Micro, Small, and Medium Enterprises" in accordance with the most recent declaration from July 2020 addressing the redefinition of MSMEs is shown.

Objectives

- To learn what role MSMES and startups play in the growth of our nation.
- To be aware of the government's plan for the MSMES sector.
- To review the various difficulties MSMES in India has looked at.

Learn how MSMEs and start-ups contribute to the prosperity of our country. MSMEs are a vital part of the Indian GDP. MSMEs would help the Indian economy because they have grown tremendously over time. MSMEs provide around 30% of the country's GDP and 40% of all exports. These MSMEs are the key drivers of economic expansion. Their responsibility is to create notable growth in industrial production, employment, and exports. Their adaptability and vivacity have allowed them to survive the ups and downs of the Indian economy with a great deal of innovation and easy adaptability.

Growth and performance: MSME growth rates over the past three decades have been impressive when compared to other industrial sectors. About 45% of India's manufacturing output and nearly 40% of its total exports are attributable to these MSMEs. They therefore provide more employment opportunities at a lower starting cost, which is one of its main benefits. Additionally, the government has created a variety of regulations, programs, and other initiatives to help with this. opportunities for employment: The country's MSMES industries have created a large number of job opportunities for the general public. Here, four people are employed as a result of a little one-lakh rupee investment in fixed assets. A more equitable distribution of national income is encouraged and regional inequality is reduced as a result of their substantial contribution to the industrialization of rural and undeveloped areas. Consequently, they promote the country's economical development. The only industry that provides the most opportunities for both wage employment and self-employment, aside from the agricultural sector, is MSMEs.

Type of Enterprise	**Investment in Plant and Machinery**	**Annual Turnover**
Micro	Not more than Rs.1 crore	Not more than Rs.5 crore
Small	Not more than Rs.10 crore	Not more than Rs.50 crore
Medium	Not more than Rs.50 crore	Not more than Rs.250 crore

To become familiar with the government's MSMEs sector plan: To help MSMEs and new firms in India, the government has launched a number of initiatives. This protects the two government programs that can help MSMEs and start-ups flourish. The Indian government is committed to successfully protecting, promoting, and fostering MSMEs and start-ups for the country's growth.

Zero defect and zero effect: Objectives: - The plan's objective is to support the Made in India movement by enabling MSMEs to assemble superior products through the promotion of Zero Defect and Zero Effect practices.

Scheme applicable for: - All existing entrepreneurs

Key benefits: -

- To expedite the transformation of energy-efficient assemblies and value frameworks and instruments.
- To help MSMEs obtain ZED accreditation, financial support will be given.

reimbursement of consulting expenses and expenditures associated with obtaining an effective certificate, in the event that the plan regulation calls for an upper roof. The public and global guidelines can only pursue one of these at a time.

- The sole reimbursement that MSMEs that offer protection may now get is for disclosures or instructions pertaining to guards.
- Support and encourage MSMEs to use the newest technologies to create goods of superior quality.
- ongoing development with the goal of increasing efficacy with the least possible negative environmental impact.
- Encourage MSMEs to have a zero-defect and zero-impact manufacturing environment.

encouraging value flexibility and acknowledging the efforts of successful MSMEs.

PM Vishwakarma Yojana

Objective: The PM Vishwakarma Yojana aims to empower traditional artisans and craftspeople by providing them with the tools, training, and financial support necessary to enhance their livelihoods. It seeks to preserve India's rich cultural heritage while promoting economic development. The scheme focuses on skill development through advanced training, equipping artisans with modern tools, and improving the quality and competitiveness of their products. It also aims to integrate these artisans into mainstream markets and global value chains, enabling them to generate sustainable incomes. By providing financial assistance through collateral-free loans at subsidized interest rates, the scheme helps address the challenges of limited access to capital faced by traditional workers. Ultimately, the objective is to ensure the socio-economic upliftment of artisans while supporting the vision of a self-reliant India.

Applicable to: The scheme is applicable to traditional artisans and craftspeople involved in 18 identified trades, including weavers, blacksmiths, goldsmiths, potters, carpenters, toy makers, and others engaged in traditional occupations. The beneficiaries, referred to as "Vishwakarmas," belong to both rural and urban areas and are required to register under the scheme to avail of its benefits.

Key Benefits of the Scheme

- Collateral-free loans of ₹1 lakh (first phase) and ₹2 lakh (second phase) with an interest rate of 5%.
- A toolkit incentive of ₹15,000 for procuring modern tools.
- Skill development through specialized training and certification.
- Financial support for marketing and branding of products.
- Improved access to national and global markets through modernized production techniques.
- Focus on sustainable livelihoods, empowering marginalized artisans, and promoting

India's cultural heritage.

Credit guaranteed Scheme for micro and small Enterprises (CGTMSE)

Objective: The plan aims to promote independent work among creative entrepreneurs by subsidizing developments that are not dependent on outside guarantee or insurance.

Scheme applicable for: - Current Entrepreneurs and Aspirant Entrepreneurs

Key benefits: Credits for loans up to INR 2 crores are guaranteed without a third-party guarantee or security. For Micro Enterprise coverage up to INR 5 lakh, the coverage guarantees range from 85% to 75% for other coverages. There is 50% coverage of the retail industry. The program offers guarantees for credit facilitation by eligible institutions without the need for collateral or third parties, up to a credit limit of INR 200 lakhs. Recently, it was announced that several NBFCs and small finance banks are qualified for guarantee coverage. Coverage amounts for guarantees are 50%, 75%, 80%, and 85% of the approved credit facility amount. The level of guarantee protection for microenterprises is 85% for loans up to Rs. 5 lakhs. The guarantee's scope includes 50% of retail trade activity debt for borrowers in micro and small businesses with debts between INR 10 lakh and INR 100 lakh. In the North East Region, the guarantee cover extends to 80% of MSMEs owned or controlled by women and loans or credits up to INR 50 lakhs. When the lending institutions offer loan up to INR 200 lakhs, the trust reimburses 75% of the total amount in the event of default.

Credit Linked capital subsidy component (CLCS & TU Scheme)

Objective: In order to support MSEs with innovative practices, independent of extension, the plan seeks to allocate 15% of their upfront capital (based on institutional funds of up to INR 1 crore that they have access to) to new MSEs that have opened offices.

Scheme applicable for: - Existing Entrepreneurs and Aspiring Entrepreneurs.

Key benefits: Introduction of modern, proven technologies. 15% off institutional loans up to INR 1 crore, with a 15lakh maximum subsidy. In order to encourage innovation for MSEs, the CLCS component of CLC-TUS offers institutional finance for the hiring of significant and persuasive advancements in the particular sub-sector or goods authorized under the plan. The chosen sectors, subsectors, and technologies would receive an upfront 15% subsidy on institutional financing up to INR 1.0 crore, with a maximum subsidy of INR 15.00 lakh. In addition to ensuring equitable inclusion of the SC/ST category, women entrepreneurs, and entrepreneurs from the NER, Hill States (Jammu & Kashmir, Himachal Pradesh, and Uttarakhand), Island Territories (Andaman & Nicobar and Lakshadweep), and the designated Aspirational Districts/LWE Districts, the proposed subsidy is also eligible for investments in the purchase or replacement of plant, machinery, equipment, and technology upgrades of any kind.

Pradhan Mantri Mudra Yojana

Objective: Giving advances to tiny or miniature enterprises that are not corporations or ranches is the aim of the idea. MUDRA credits are what the PMMY system calls these advancements. Smaller than typical cash foundations and non-banking financial institutions receive low- interest loans from Miniature Units Advancement and Renegotiate Organization Banks (MUDRRA Banks) as part of the prime minister's Pradhan Mantri Mudra Yojana. These banks then give low-interest advances to start-up companies and MSMEs. As one of its type of resources, the Pradhan Mantri Mudra Yojana was

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created and conceived to draw in Indian business visionaries. Up to Rs 10 lakh in credits are available under the MUDRA scheme. Beyond-long-term data, the total amount authorized by the government, and the total amount disbursed by this PRADHAN MANTRI MUDRA YOJANA are all shown in the above graph. In 2018, a total of 321722.79 crore was authorized, and 311811.38 crore was distributed. In 2019, a total of 329715.03 crore was distributed, compared to 337495.53 crore that was authorized. In 2020, a total of 311754.47 crore was distributed, compared to 321759.25 crore that was authorized.

Samarth Udyog Bharat 4.0

Objectives: Samarth Udyog Bharat 4.0 is an initiative aimed at accelerating the adoption of Industry 4.0 technologies within the manufacturing sector in India. Its primary objective is to modernize manufacturing processes by integrating advanced technologies such as IoT, artificial intelligence, robotics, big data, and additive manufacturing. The scheme seeks to make Indian industries globally competitive by enhancing operational efficiency, reducing costs, and ensuring sustainable manufacturing practices. It also aims to build awareness about smart manufacturing concepts and provide the necessary infrastructure and training to adopt these technologies effectively. By fostering innovation and promoting technology-driven solutions, the initiative ensures that Indian industries keep pace with global technological advancements.

Applicable to: The initiative is applicable to manufacturing industries, MSMEs, and large-scale industries across sectors. It also supports start-ups and academic institutions engaged in developing Industry 4.0 solutions. The scheme particularly targets industries willing to transition to digital and smart manufacturing processes.

Key Benefits of the Scheme

- Creation of demonstration centers and hubs to showcase smart manufacturing technologies.
- Financial support for the adoption of Industry 4.0 technologies.
- Capacity building through specialized training programs for workers and professionals.
- Assistance in digitization, real-time monitoring, and automation of industrial processes.
- Promoting collaborations between academia, industry, and government bodies to drive innovation.
- Support for MSMEs to integrate cost-effective, scalable digital solutions.
- Encouraging exports by improving product quality and manufacturing standards.

This initiative not only enhances industrial productivity but also supports India's mission to become a global manufacturing hub.

Design Clinic for Design Expertise to MSMEs

OBJECTIVE: In order to increase the intensity of the strategy item by item in international business sectors, it seeks to work with Indian MSMEs through innovative arrangements and professional advise on ongoing plan issues.

Scheme applicable for: - Existing Entrepreneurs

Key benefits: Providing design interventions and consulting to MSMEs in order to help them with innovative design strategies. GOI would provide financial support to MSMEs for design interventions at a rate of 75% for microprojects and 60% for SMEs for projects up to INR 40 lakhs. would also help with design work by paying 75% of final-year student projects for MSMEs up to INR 1.5 lakhs in expenses.

- Providing professional guidance and cost-effective solutions for contemporary design

challenges to the Indian manufacturing sector and design community on a single platform, resulting in ongoing advancements in new product innovations.

The different issues faced by the MSMEs in India:

Financial issues: Smaller enterprises and organizations in the Indian economy have long struggled to obtain funding. This is a significant obstacle for MSMEs and companies alike. Regardless, the fact remains that only sixteen percent of SMEs are granted easy credit, which forces them to depend on their assets. This issue affects larger organizations as well because it is hard for even the largest enterprises to get cheaper borrowing from traditional banks.

Regulatory issues: A few administrative issues that have negatively impacted MSMEs throughout time have surfaced, such as tax compliance and modifications to labor laws. To put this area ahead of others, several work changes were implemented a few years ago. Either way, they did not succeed in increasing MSMEs' competitiveness relative to larger businesses. Due to the difficulty in complying with these regulations and registering for charge consistency, many MSMEs are either operating with little funding or, in any event, closing their doors.

Infrastructure: In India, the foundation area is crucial since we are known as the "world's administrative center" and because so many projects in this region are completed elsewhere. In low-wage nations like India, for example, applications like BPO and e-commerce have led to an increase in employment.

Low efficiency: MSMEs, albeit less productive than average, perform a particular task that delivers more value than it creates. The products that retailers sell to final consumers are usually less expensive. The fact that MSMESs can produce in large quantities at extremely low prices and are cost- productive may really be highly beneficial. They could, however, find themselves in a difficult situation due to their low efficiency and restricted production in comparison to larger businesses.

Lack of advancement: Indian MSMEs are not creative, and most of the things they produce are based on outdated technology. This region has been unable to embrace new tools and technology that have had a big impact in industries like contact centers and e-commerce, among others, because of the acute lack of businesspeople in the area. As a result, MSMEs have had to deal with subpar efficiency and outdated innovation, particularly when compared to larger businesses.

Technical changes: Many specialized changes have been made over time, and in order to remain competitive, the majority of firms have developed in some way. As a result, Indian MSMEs have faced numerous noteworthy transformations that have hindered their growth. Since the beginning, the rights of possession of the land have been changed, making the region more vulnerable to inadequate management and, as a result, a decrease in efficiency.

Findings:

Lack of Professionalism: Decentralization accounts for the majority of authority in India. What I mean by that is the capacity to influence government policy concerning the entry of new market players. The expansion of larger businesses depends on them, but a greater percentage of Indian MSMEs need

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exceptional skill. They are therefore especially vulnerable to dehumanization and the misuse of force, which significantly affects their organizations' efficacy.

No standardized policies: MSME approaches are scarce in India. Consequently, the company improvement and MSME promotion programs are inconsistent. Long-term progress has been accomplished in Delhi, regardless, but this work must be made public in order for Indian companies to be respected by foreign organizations and investors.

Lack of innovation: Most Indian MSMEs' products are based on outdated technology advancements, and they lack exceptional inventiveness. This region has been unable to embrace new technologies and ideas that have resulted in notable advancements in a number of industries, including contact centres and e-commerce, due to a chronic shortage of business visionaries. As a result, MSMEs have had to deal with subpar efficiency and outdated innovation, particularly when compared to larger businesses.

Suggestions: They can provide financial assistance to the smaller sectors and hold a session to ensure business owners are knowledgeable about the latest technological advancements. People lack the education necessary to access MSMEs' funding. According to our research, SMEs are essential to the growth of any economy since they help design important sectors and advance the age of work. However, they confront challenges because funding is scarce and it is hard to get skilled labour at a fair price. For the Indian economy, the MSME sector is significant. It affects a substantial portion of Indian industry. Additionally, it has made a significant commitment to export the products. The businessperson has progressed in many ways with the MSME's assistance. The two most notable of them are modernization and mechanization. The main issues, after foundation and competition, are research and development, lack of data, macroeconomic volatility, and insufficient administrative assistance. Many issues, such as R&D and technological advancement, are mostly caused by a lack of data. Due to their often- low levels of education, small MSME owners are unfamiliar with the newest and most affordable technology and need further information to support their organizations' research and development departments. Their knowledge of the benefits offered by the government is lacking. The majority of entrepreneurs are not aware that Micro, Small, and Medium-Sized Enterprises can access this service. In this sense, even though the government acknowledges the significance of MSMEs as catalysts for economic expansion and has a number of programs and strategies in place to address almost all of the issues raised by the report.... MSMEs have been striving for growth in spite of their poor productivity, deterioration, and challenging working circumstances. The region's production and development are exceptionally low as a result, which is detrimental to the whole economy. If India's MSME sector is thriving, it will generate a large number of jobs that will clearly benefit the nation and its citizens. Though the government is working very hard to keep the MSME sector competitive, MSMEs face many obstacles. As the cost of financing continues to drop, both the public and private sectors are striving to offer better products that could have a substantial impact on both price and quality. Perhaps removing dirt and emphasizing quality will make MSMEs want to do better than larger businesses.

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